

## **Steve Grossman says 'outstanding' 2013 means state pension fund will narrow funding gap**

The managers of the state's pension fund say last year's performance was so good, they'll be able to narrow the yawning gap between what the fund owes retirees and what it actually has in the bank.

The net asset value of the fund was \$57.9 billion at the end of 2013, according to the state Pension Reserves Investment Management Board (PRIM). That's about \$1.4 billion, or 2.6 percent, beyond the benchmark.

"PRIM's outstanding performance in 2013 will enable us to reduce our unfunded pension liability and is likely to increase the attractiveness of the Commonwealth's bonds to investors," state Treasurer Steven Grossman said in a statement.

Grossman is also chairman of the PRIM board.

As of its last valuation Jan. 1 2012, the state Pension Reserves Investment Trust (PRIT) had \$43.9 billion in assets and \$67.5 billion in liabilities, leaving \$23.6 billion in its obligations to pensioners unfunded. An updated pension liability figure is not expected until May.

The fund finished 2013 with a return of 15.2 percent, a gain of nearly \$8 billion, according to a statement.

The fund saw a 24 percent return from its investments in global stocks, and a 21 percent return on its private equity investments. Its hedge fund portfolio grew nearly 13 percent and real estate increased not quite 11 percent.

In an interview after the meeting Tuesday, Grossman said the unfunded liability was \$28.3 billion as of Jan. 1 of this year. He said it's unclear how much that will be reduced as a result of 2013's strong performance.

He said proposals are in place to increase the pension fund's line item in the state budget, currently around \$1.6 billion, by 10 percent in the 2015, 16 and 17 fiscal years and by 7 percent thereafter.

Those increases combined with 8 percent annualized returns would fully fund the state pension system by 2036, Grossman said.

"I'm not a believer in victory laps," Grossman said. "We had a good year, but you go right back to work on the second of January."

Grossman said PRIM also plans to reduce its positions in global equities, which now takes up about 46 percent of its portfolio, and reallocate those assets into "other approaches."

<http://www.bizjournals.com/boston/news/2014/01/21/steve-grossman-says-outstanding-2013.html>